Control Number :	GOOG-AT-MDL-009068311
All Custodians :	Christian Cramer, Cristina Bita, Kristen Gil, Kristin Reinke, Mike Herring, Mike Roszak, Ruth Porat, Yuki Richardson
Custodian :	Ruth Porat
Date/Time Created :	1/16/2020 10:37 PM
Date/Time Sent :	
MODIFICATION DATE :	1/18/2020 2:31 AM
File Name :	Final Allocation Methodologies_Jan 2020_1MbVTolepoOMc69xqiWsIr FI8fhjsH1deo_ZyYs-j3Yg.pptx ; Final A...

Summary of Key Cost Drivers and Allocation Methodologies

Functions	What is it?	Allocation driver (Current)	Factors business can influence – Ability to influence
TI	Machines, data centers, networking, TI payroll (ex SBC)	Usage-based as per Resource Economy	Machine utilization due to ordering behaviour / forecast accuracy - **High**
	TI SBC, Corp Eng, Security & Privacy	Corp Eng: HC (FTEs and TVCs that have assets/equipment) TI SBC: In proportion to RE	Code reliability and scalability, and reduction of PA specific applications - **Medium**
Shared Eng	Eng teams supporting x-PA (e.g., payments infra, ads eng, eng interns)	Business Finance provides allocation rates, method varies case by case.	Shared Eng HC resourcing decisions - **High** Shared Eng Platforms/Tools Usage - **Low** PA-specific Platforms/Tools Usage - **Medium**

Alphabet / Google

TI Price Variance

Summary of Key Cost Drivers and Allocation Methodologies

Functions	What is it?	Allocation driver (Current)	Factors business can influence
REWS	Rent, building and fit-out depreciation Security, transportation, employee perks, food	SqFt Headcount	Office locations, office density, seated HC - **Medium**
POps	Staffing HRBPs, ops, PeopleDev, benefits & comp	Offers accepted Headcount	Volume and location of net hires, including accurate demand signals - **Medium**
Global Affairs	Legal, Government Affairs & Public Policy, Trust & Safety, and Google.org	Mostly direct, otherwise survey	Streamlining and standardization of contracts could lower costs - **Low/Medium**
Finance	FP&A and Accounting teams	FP&A: Survey, Acctg: POs/invoices/rev	**Low**
Central	Bad debt, VAT, and other taxes and other unallocated costs	Mostly direct, otherwise survey	**High**

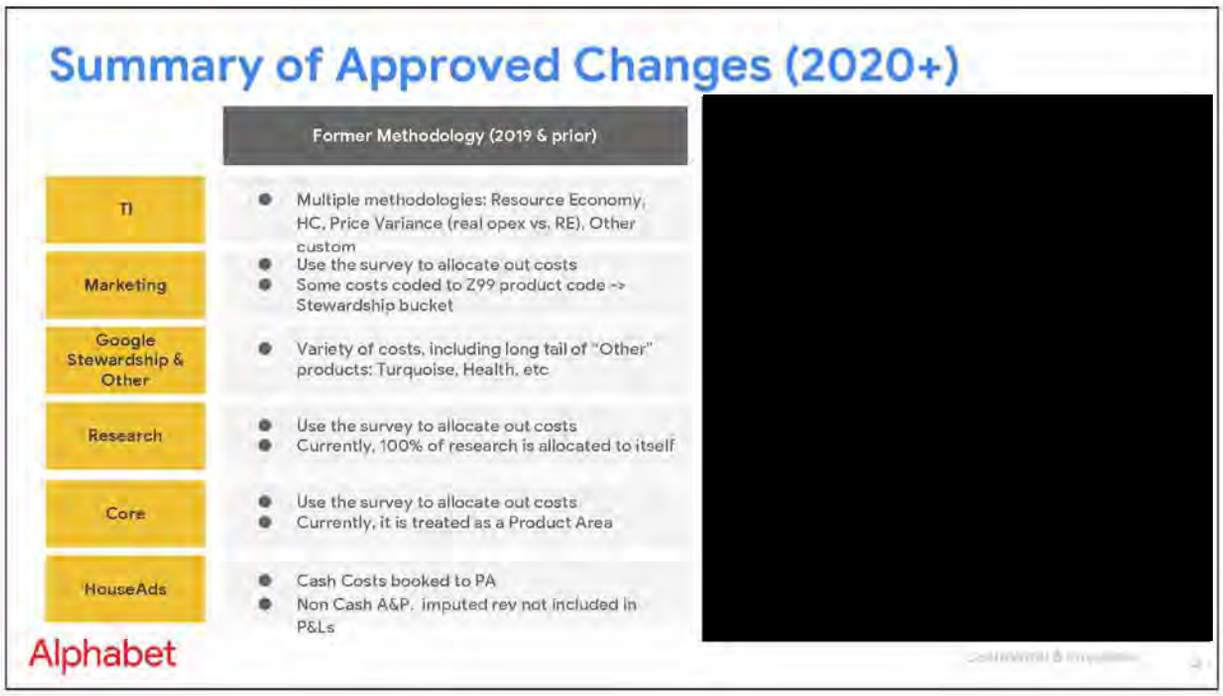
Alphabet / Google

Summary of Key Cost Drivers and Allocation Methodologies

Functions	What is it?	Allocation driver (Current)	Factors business can influence
Sales	Salesforce and related support costs	By survey to assess product focus	Product complexity - **Medium**
Marketing	A&P plus marketing HC	A&P directly coded to PA, otherwise survey	Decision on PA-specific $ spent - **High**

Alphabet / Google

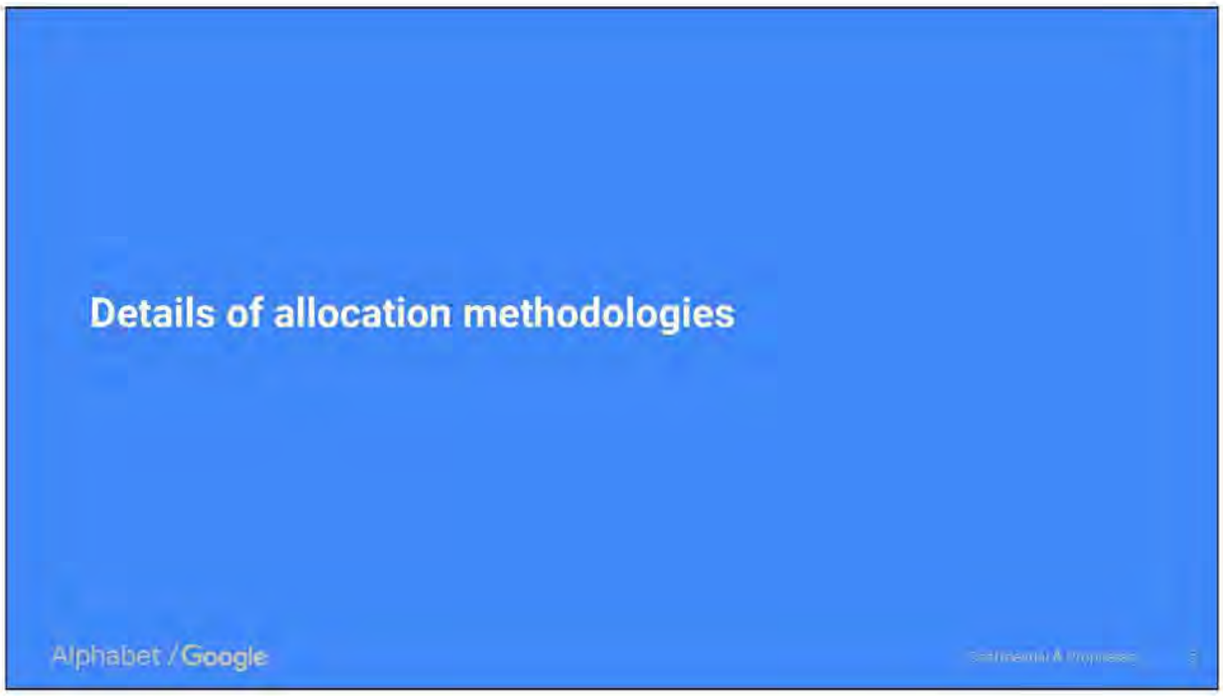
Confidential & Proprietary

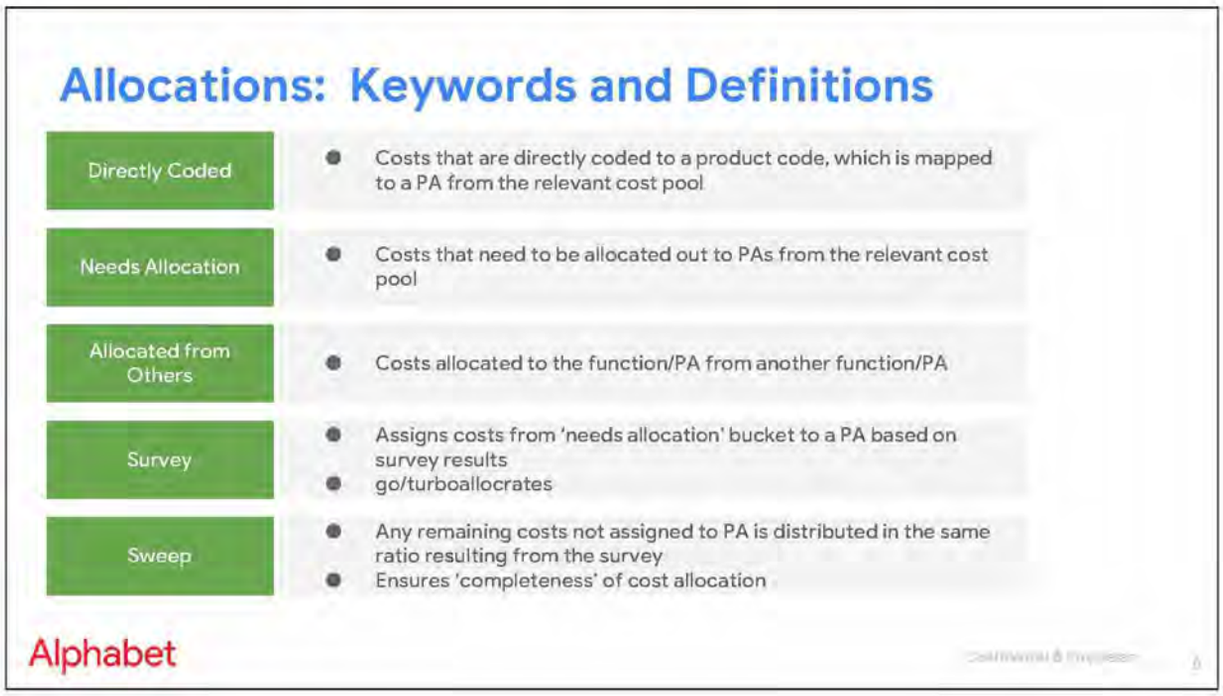


TI;dr list of what we consider to be the most important changes/decisions needed coming out of the deep dives

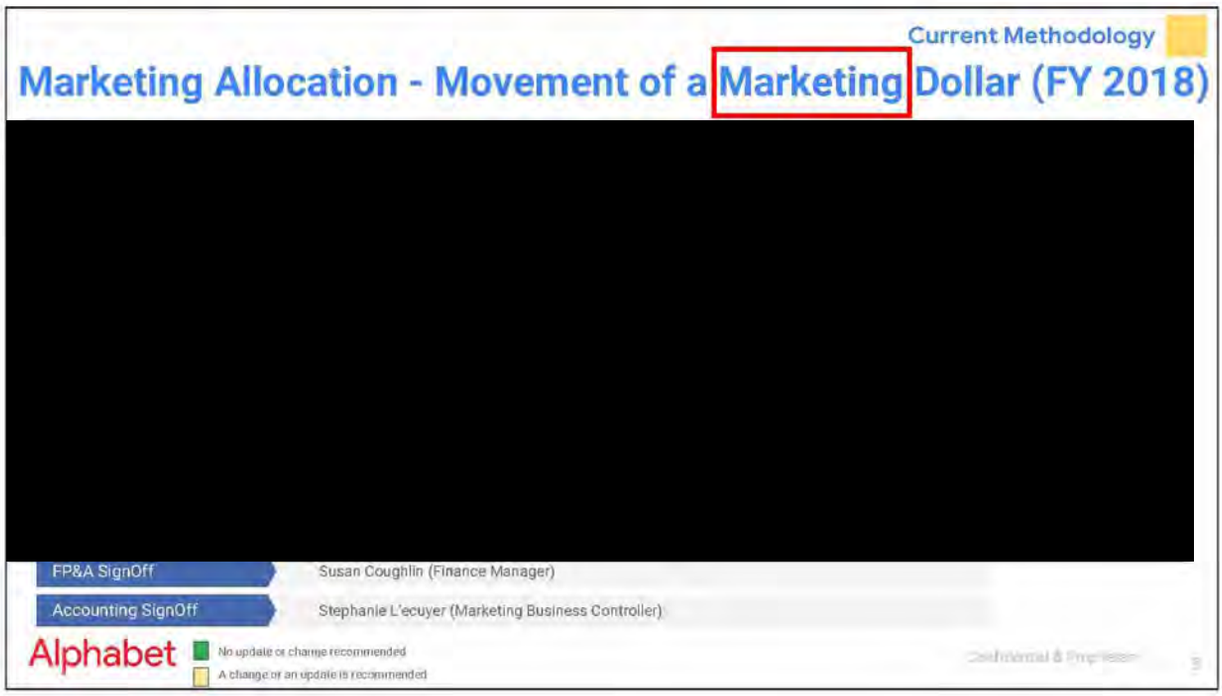
GPI drivers most likely combination of HC metrics, direct coding to PA's

For 2018, the following was the split for House Ads CAC:
DVAA: $161m
Search Ads: $23m
YouTube: $98m
This was netted out through Stewardship: $282m of contra expense

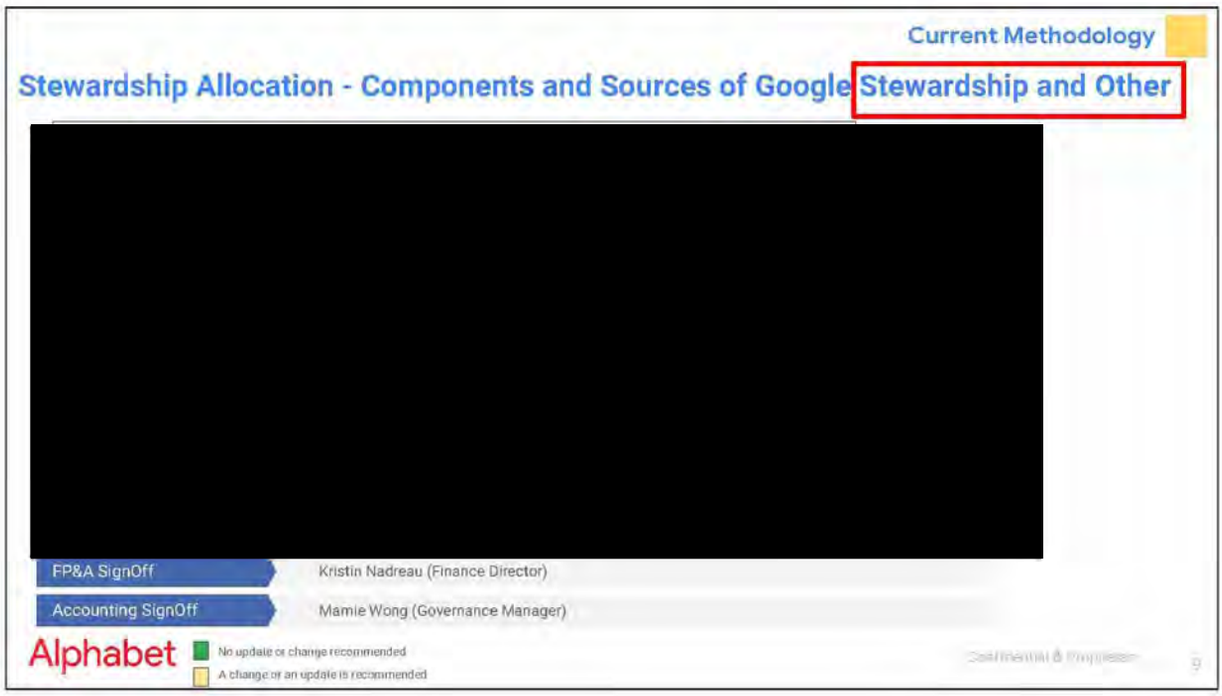

Details of allocation methodologies
Alphabet / Google


Allocations: Keywords and Definitions
Directly Coded
Costs that are directly coded to a product code, which is mapped to a PA from the relevant cost pool
Needs Allocation
Costs that need to be allocated out to PAs from the relevant cost pool
Allocated from Others
Costs allocated to the function/PA from another function/PA
Survey
Assigns costs from 'needs allocation' bucket to a PA based on survey results
go/turboallocrates
Sweep
Any remaining costs not assigned to PA is distributed in the same ratio resulting from the survey
Ensures 'completeness' of cost allocation
Alphabet

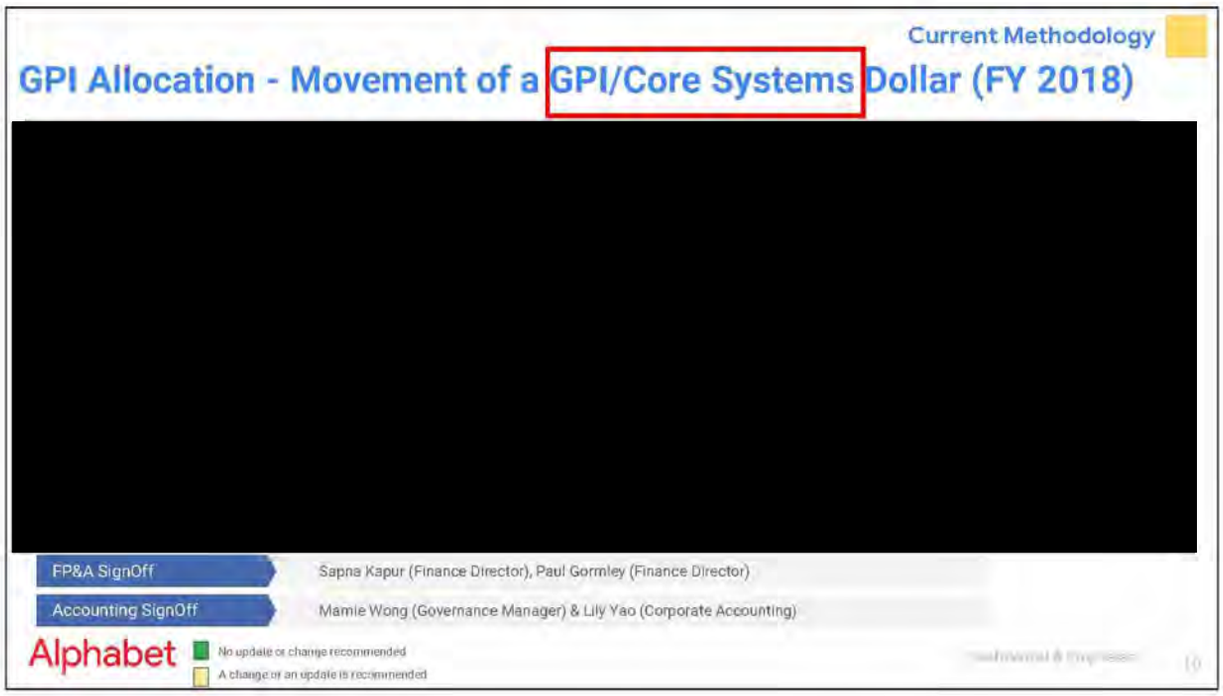
Current Methodology
TI's Allocation - Movement of a TI Dollar (FY 2018)
[redacted]
Alignment on Methodology
Prior: Multiple methodologies: Resource Economy, HC, Price Variance (real opex vs. RE), Other custom
[redacted]
FP&A SignOff
Tejinder Scheurer (Finance Director)
Accounting SignOff
Chris Ng (TI Opex Controller)
No update or change recommended
A change or an update is recommended
Confidential & Proprietary



Need to solve for Stewardship cost; Items that are coded into the z99 bucket- Ok to utilize the sweep methodology for this.



Need to identify what truly belongs in Stewardship



Reviewing to update/change current methodology to allocate out more of the GPI costs that gets allocated back to the GPI after the survey

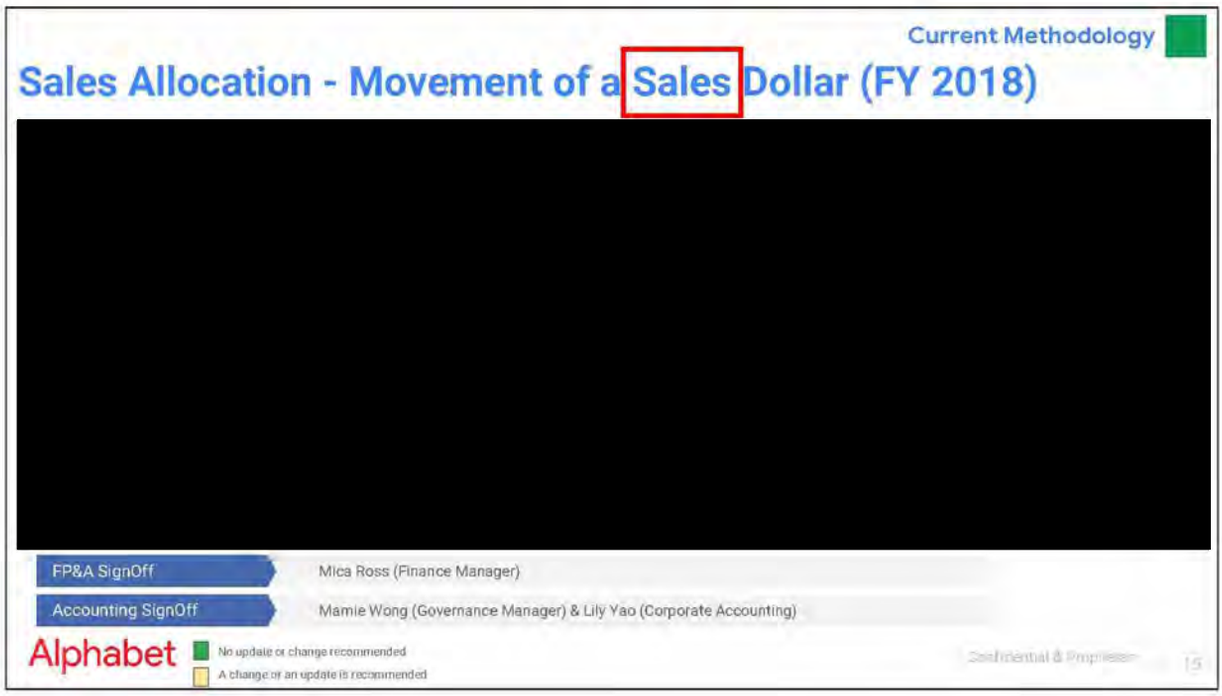
Should we be allocating research $ to the respective PA's instead of allocating back to research

-Question for the leadership at allocation reviews

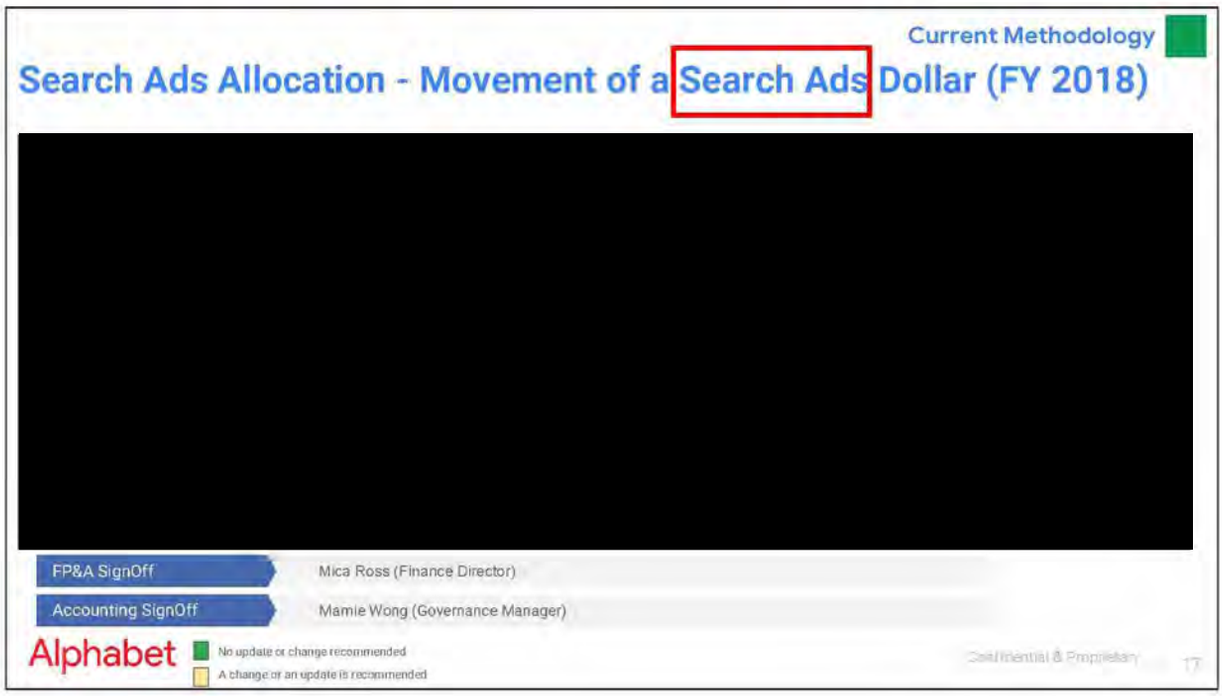
Current Methodology
Corp Eng Allocation - Movement of a Corp Eng Dollar (FY 2018)
[redacted]
Alignment on Methodology
[redacted]s based on drivers (HC, Assets, Revenue)
Any remaining costs are allocated via survey (go/turboallocrates) and then swept
FP&A SignOff
Patrick Walch (Finance Director) and Coy Ross (Finance Manager)
Accounting SignOff
Molly Murphy (Fixed Assets Manager) and Lily Yao (Corporate Accounting)
No update or change recommended
A change or an update is recommended
Confidential & Proprietary
12

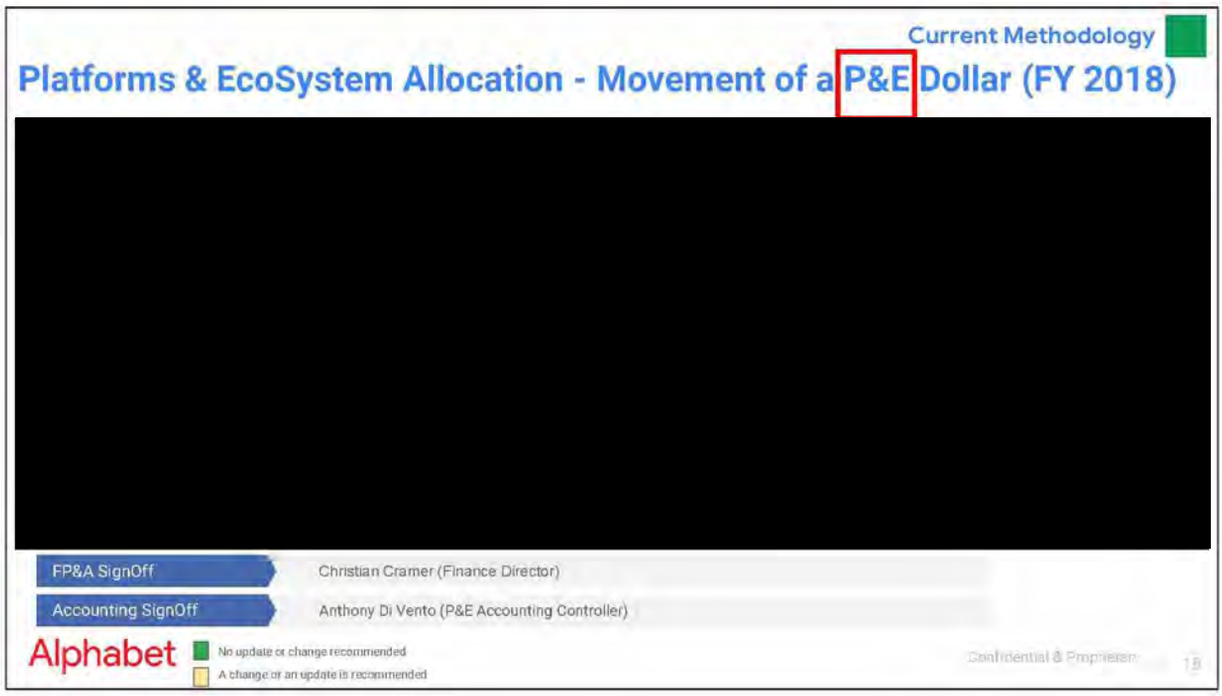
*includes the $5B EU fine coded to Platforms & Ecosystems PA□**proforma without $5B EU fine

Current Methodology
Cloud Allocation - Movement of a Cloud Dollar (FY 2018)
[redacted]
FP&A SignOff
Kristin Maczko (Finance Manager)
Accounting SignOff
Christopher Trinh (Business Controller)
Alphabet
No update or change recommended
A change or an update is recommended
Confidential & Proprietary

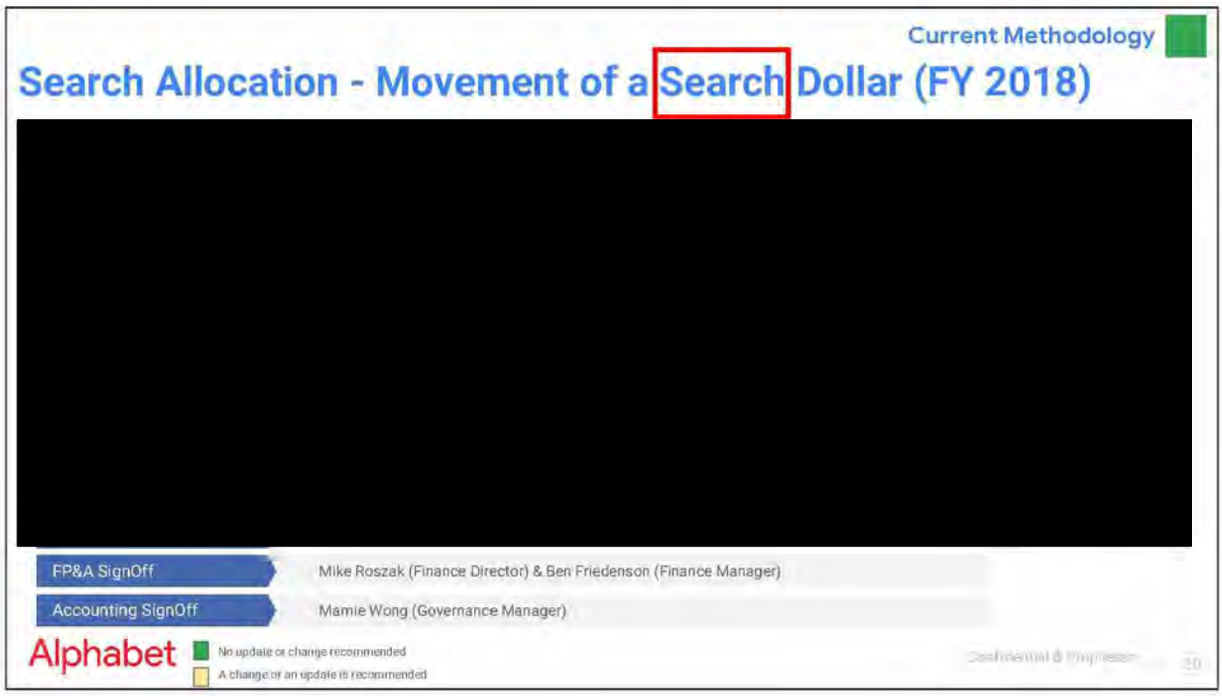

Current Methodology
Sales Allocation - Movement of a Sales Dollar (FY 2018)
FP&A SignOff
Mica Ross (Finance Manager)
Accounting SignOff
Mamie Wong (Governance Manager) & Lily Yao (Corporate Accounting)
Alphabet
No update or change recommended
A change or an update is recommended

Scott Kleman: The trace-ability of cost and ability to explain input / output changes in the model is not satisfactory. In order to get improved reporting and trace-ability, we may need to simplify / change the model.


Current Methodology
Search Ads Allocation - Movement of a Search Ads Dollar (FY 2018)
FP&A SignOff
Mica Ross (Finance Director)
Accounting SignOff
Mamie Wong (Governance Manager)
Alphabet
No update or change recommended
A change or an update is recommended
Confidential & Proprietary
17


Current Methodology
Platforms & EcoSystem Allocation - Movement of a P&E Dollar (FY 2018)
FP&A SignOff
Christian Cramer (Finance Director)
Accounting SignOff
Anthony Di Vento (P&E Accounting Controller)
Alphabet
No update or change recommended
A change or an update is recommended
Confidential & Proprietary
19

Current Methodology
Hardware Allocation - Movement of a Hardware Dollar (FY 2018)
FP&A SignOff
Lauren Coste (Director FP&A) & Gabe Mattera (Finance Manager)
Accounting SignOff
Marsida Saraci (Finance Director) & Sandy Mendoza (Hardware Business Controller)
Alphabet
No update or change recommended
A change or an update is recommended

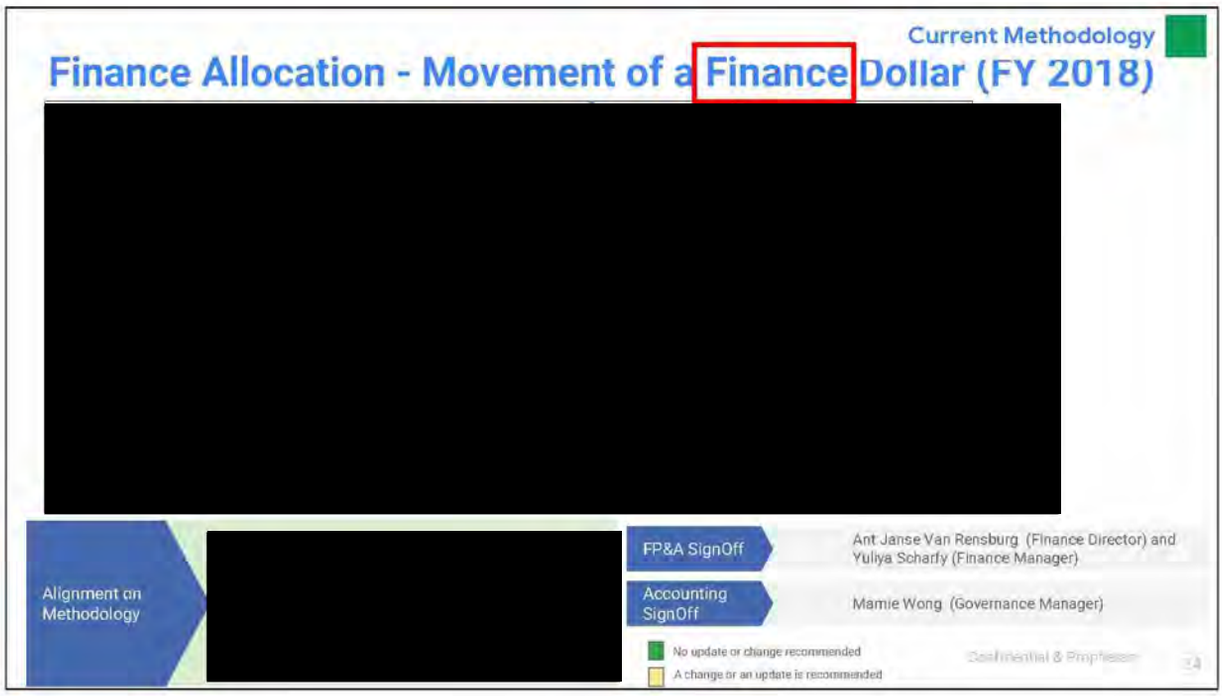


Watch List:
Friends of search
TI costs
Core Systems
Assistant

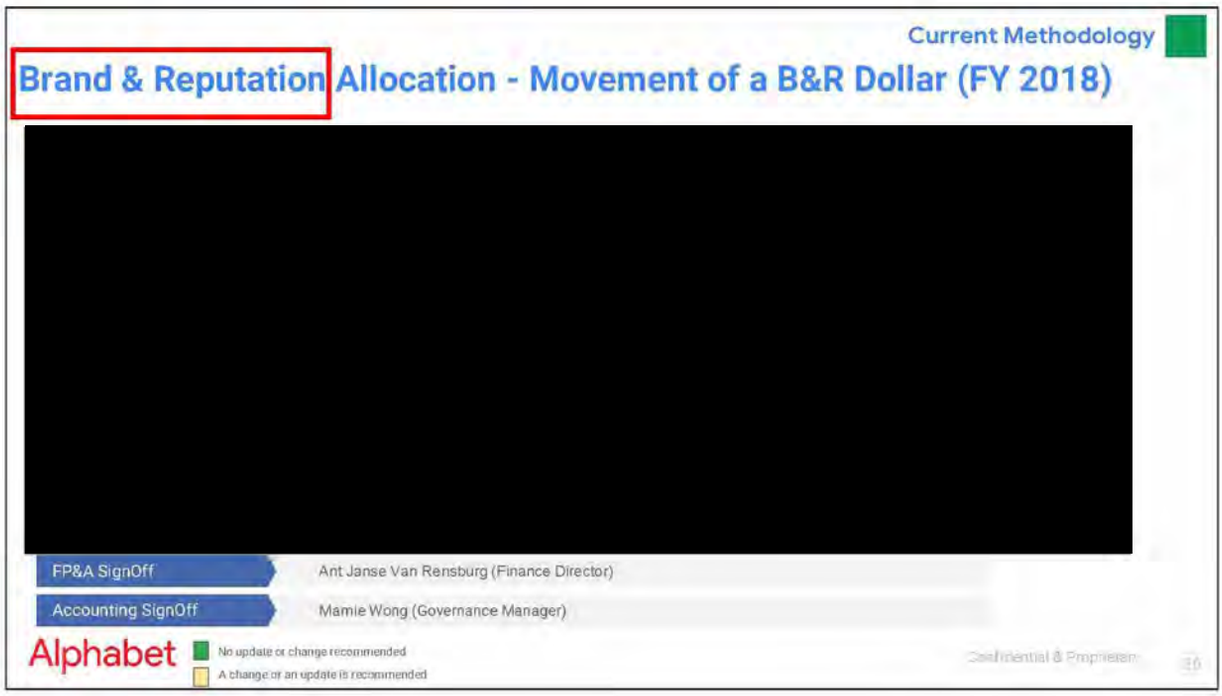
Watch List: House Ads

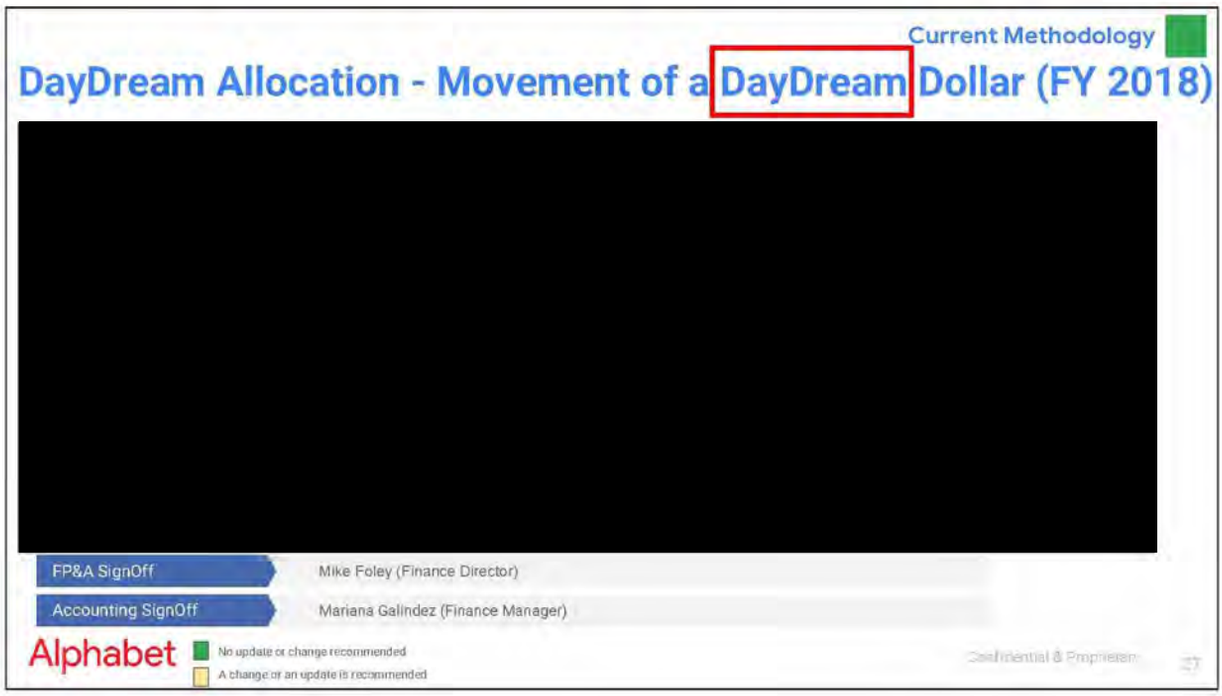
Current Methodology
Geo Allocation - Movement of a Geo Dollar (FY 2018)
FP&A SignOff
Mike Roszak (Finance Director)
Accounting SignOff
Mamie Wong (Governance Manager)
Alphabet
No update or change recommended
A change or an update is recommended

Current Methodology
POps Allocation - Movement of a POps Dollar (FY 2018)
FP&A SignOff
Ant Janse Van Rensburg (Finance Director)
Accounting SignOff
Winnie Wei (Accounting Manager)
Alphabet
No update or change recommended
A change or an update is recommended


Current Methodology
Finance Allocation - Movement of a Finance Dollar (FY 2018)
[redacted]
Alignment on Methodology
[redacted]
FP&A SignOff
Ant Janse Van Rensburg (Finance Director) and Yuliya Scharfy (Finance Manager)
Accounting SignOff
Mamie Wong (Governance Manager)
No update or change recommended
A change or an update is recommended

Current Methodology
DVAA Allocation - Movement of a DVAA Dollar (FY 2018)
FP&A SignOff
Jessica Mok (Finance Manager)
Accounting SignOff
Mamie Wong (Governance Manager)
Alphabet
No update or change recommended
A change or an update is recommended


Current Methodology
Brand & Reputation Allocation - Movement of a B&R Dollar (FY 2018)
[redacted]
FP&A SignOff
Ant Janse Van Rensburg (Finance Director)
Accounting SignOff
Mamie Wong (Governance Manager)
Alphabet
No update or change recommended
A change or an update is recommended
Confidential & Proprietary
30


Current Methodology
DayDream Allocation - Movement of a DayDream Dollar (FY 2018)
FP&A SignOff
Mike Foley (Finance Director)
Accounting SignOff
Mariana Galindez (Finance Manager)
Alphabet
No update or change recommended
A change or an update is recommended
Confidential & Proprietary

Current Methodology
Revenue Allocation - Turbo Reclasses
FP&A SignOff
Mireya Bravomalo (Director Revenue Accounting)
Accounting SignOff
Mamie Wong (Governance Manager)
Alphabet
No update or change recommended
A change or an update is recommended